

Expert Advisory Committee
to the Health Benefits Exchange Board
Wednesday March 28, 2012
8:00am

Attendees: Jim Borah, Bill Delmage, Monica Neronha, Elizabeth Lange, Lou Giancola, John Fleig

- I. Call to Order – Dan Meuse called the meeting to order at 8:00am. He stated that today would be part one of a two-part discussion on SHOP, the Small Business Health Options Program. Deb Faulkner with Faulkner Consulting Group presenting today to introduce this topic to the group.
- II. Presentation – Slides available here. Deb Faulkner provides overview. Questions and Comments from the Experts are noted below.
 - a. Bill Delmage: Is the 3:1 definite?
 - i. Deb Faulkner: It is a requirement.
 - b. Bill Delmage: Taking the 1-50, and if combine the single with the small group does that mean it will allow united and tufts to sell individual policies, thus allowing them to compete with Blue Cross?
 - i. Deborah Faulkner: Yes, it really does encourage a competitive market. The rules will also be more consistent - 3:1 bands, no gender, age only as an allowable variable
 - c. John Fleig: Is there a decision now to merge the markets?
 - i. Deborah Faulkner: Discussion right now the SHOP, the question on hand is whether or not we merge the individual and small group markets – that is an overall market decision, not a SHOP decision. The reasons to do it are broader than SHOP driven – consistency between individual and small group market, aligning rating rules, so that is a different discussion.
 - d. Lou Giancola: Thus, basically what SHOP provides is an opportunity for a small employer to have their people come in as a group as opposed to having them come in for individual coverage.
 - i. Deborah Faulkner: The SHOP is when I as an employer group are purchasing coverage for employees and do so through the SHOP.
 - ii. Lou Giancola: Does an employer with say 25 employees, could they in essence give them a voucher to purchase group insurance and still receive the credit?
 1. Deborah Faulkner: That is a big part of the discussion for what will be allowed – discrepancies in interpretation of the law as to whether that is permissible or not.
 2. Dan Meuse: We do know that an employee cannot take a contribution from an employer and a tax credit at the same time. The question becomes if the employer is giving a voucher to an employee how do we structure it

in a way that the employer retains the tax advantage status with those dollars, and that the employee still has choice. Certainly choice within actuarial tiers, but the question is between tiers.

iii. Elizabeth Lange: Is there a voucher credit so that the employee would have the ability to use that cash only on the Exchange?

1. Deborah Faulkner: Working on that.

e. Monica Neronha: On the one, it is different than our current groups of one? Today our business groups of one are business individuals, but I do not believe that the federal law interprets that the same way. This may be worth reviewing to determine if that needs to be changed – as it will change the choice dynamic.

i. Deborah Faulkner: We have not dug into that, but we will walk back and talk to our folks to ensure we have all the information on that.

f. Bill Delmage: Is the tax credit a RI rule or a federal rule?

i. Dan Meuse: It is a federal rule, but to take advantage of it you have to remove the deduction – cannot have the tax credit coming off the top of the premium and then have the deduction. Unclear exactly how this is operationalized.

g. Elizabeth Lange: Was Massachusetts based on their legislation or federal legislation

i. Deborah Faulkner: They must comply with federal legislation, changing the way their models work to comply with the ACA and to also work with the nuances of the ACA to work better.

ii. Lou Giancola: Is their objective to make something better with small employers than they currently have?

1. Deborah Faulkner: Very few of the small employers have come through the exchange, so trying to see what value they need to make that happen, and what kind of choice, what kind of employee choice would encourage employers to purchase through the SHOP.

h. Lou Giancola: Is the Exchange still going to be embedded in state government?

i. Deborah Faulkner: The governance will be in state government – the operations can either be in governance or be outsourced to a vendor as we chose. It will be a procurement of the state. Given the structure of being within the governor's office there is an expectation of being a governor's functionality. Run managed by a vendor, with the work of the current eligibility workforce that we have (i.e. Medicaid), but the state is not necessarily good of quick turn around of financial transactions, and there are companies good

i. Bill Delmage: Do you have to have all those options on there or can it just be a place for review? I feel as we keep adding layers then we are creating a vehicle for people to leave.

- i. Deborah Faulkner: Certainly the opportunity for the state is to try to reduce the uninsured – hope to have take up rates similar to Massachusetts. The mechanism that does that is the exchange – a high percentage of those uninsured will be eligible for tax credits, and have a place to buy that is not tiered. In theory trying to get more people in.
- ii. Bill Delmage: Can say that it will cost the same if I have to add another layer of person to the mix of money.
 - 1. Deborah Faulkner: For those kinds of reasons we are looking to pick a vendor who has done this kind of management before, so that we do not try to replicate that and buy it from a vendor.
 - 2. Monica Neronha: And a lot of what is shown under the operational model is what is required. There are a lot of things about it that may not be ideal, but these are not choices being made. Need to navigate this system.
 - 3. Lou Giancola: Agree, but it is a question to keep in mind. Striving to build a system that doesn't build administrative cost and doesn't take away from quality is very important to keep in mind.
 - 4. Monica Neronha: And the fact is in MA, 3% is the fee, not arguing it is okay – just trying to dispel the idea that building a BMW that one does not need to build.
 - 5. Deborah Faulkner: and related to that, part of the reason we have taken time to develop the technology plan, we are building on top of existing structure precisely because we do not want to layer in new functions were not necessary.
 - 6. JB: One of the issues they have is that what they have charged the carriers for shelf space is 4% of the premium which is higher than what it costs outside of the exchange – so how make it cost effective?
 - a. Deborah Faulkner: Yes and these are all things to come back to. MA fee structure, then inconsistent with the value providing, minimize cost as much as possible, and try to set up a user fee structure that aligns with view creating.
- j. Lou Giancola: One thing concerned about – first do not see a lot of provider involvement, and two we are talking about involving providers yet we do not know where the payment system is going. If we build an exchange that assumes we are going to do business exactly as we are going to do now.
- k. Monica Neronha: Agree with Lou – concerned that what we do is aligned with payment and delivery system reform efforts. Making sure that when you get to that point of change make sure there is allowance for flexibility.

- i. Deborah Faulkner: Agree, do this in a way that does not restrict innovation of payment models. There are some scenarios that say these do not affect payment models at all - and then there are some models that say no, go with back end review. None of this has been established, but do have to be cognizant of that. This is where provider input will be completely important.
 - ii. Dan Meuse: On the costs it is easy for us to think about the price of insurance. What we have heard from small employers is a desire for an experience where an employer can step back a little bit. That the idea where the defined contribution model came in. Employers are looking for a way to say I want my employees to have an ability to say what is best for them, and at a decent cost for insurance. It is in their cost of doing business. We are looking at a model that helps to support the existing small business structure, but helps to bring them forward – making sure it is a value add for small employers.
- l. Elizabeth Lange: On top of all that, I do find that the conversation has been good, the education of what needs to happen at the window of my front office. The sensitivity that the infrastructure will have education before the high deductible plan is purchased is key and appreciate that part of this conversation.
 - i. Deborah Faulkner: The challenge is that there are a lot of navigation tools that people will be able to call on for help, but even that is not easy to get out. As the plan designs get more complex, and those realities become real, it will be challenging.
 - ii. Elizabeth Lange: At times we do learn things in retrospect, so planning for it now, while we may not be able to have everything, is really a good idea.
 - iii. MH: Crucial to all of this is that we are going to build in that we will not get it right on day one of 2014, and ensuring it is built flexibly to incorporate things that come forward.
 - iv. Dan Meuse: The estimation point is a good one – Dr. Lange has patients who come into the office who have no idea what a specific suite of services will cost until they check out. Just getting to the point where our records are electronic.
 - v. Elizabeth Lange: At the same time, do not want a board on my window with listings that make me look like a fast food restaurant.
- m. Dan Meuse: As well as helping them to be able to carry the message to their patients. Do you have insurance, if you don't there is a great new program out there which can be a lot more affordable for you. We will clarify that as we move forward over the next few months.
- n. Deborah Faulkner: Yes, and on the individual side there will be the navigator program which will enable us to work through existing community infrastructures to get the word out.

- o. Lou Giancola: At one point there was that issue of deputizing employees of hospitals to help enroll people in Medicaid, but it was legally confusing. Do you envision allowing people to guide consumers through that process as often you will see them in emergency departments, and then to the extent we can help them.
 - i. Matt Harvey: This is where the technology helps a lot. With the new model that the exchange will have, those point people will assist the potential enrollee input information and the computer and technology will determine for the individual what they are enrolled in.
- p. Lou Giancola: Does the exchange push the issue of transparency so that the consumer can see the implications of their choice clearly?
 - i. Deborah Faulkner: An opportunity for the exchange to provide that kind of value. There is a way for individual to have decision support. All decisions will need to be worked out and may change over time, but conceptually see where the exchange will go. At a minimum see what needs to be done to help them and how it evolves over time.
 - ii. Monica Neronha: We think of the exchange as being the only place that reform happens. There are indeed a whole host of reforms that have nothing to do with. Completely unrelated to the exchange, this will need to happen anyways. The more we layer on to the exchange doing something, it does become blurry, to see the other things that must happen in addition to an exchange whether or not a product is on the exchange.
 - iii. John Fleig: Another point is that we don't want people going to the doctor during open enrollment periods, saying sign up here and get your procedure done. There will be open enrollment periods.
- q. Lou Giancola: What is the distinction between the full employee choice model and the regional plan?
 - i. Deborah Faulkner: Regional says I pick a tier but I have an option to select carriers and options from nearby states (i.e. tufts).
- r. John Fleig: Research depends on how the question is asked – so if I am an employer and I do not know how the market works I would say give me any and all choices. If you phrase the question saying would be you in favor of the full employee cost model, and the cost would go up substantially, would you chose it?
 - i. Deborah Faulkner: I have to go back and look back at the questions. I do not believe that we have data showing the full employee choice model will be substantially more expensive. Need to review, but believe we aiming at it being cost neutral.
 - ii. Monica Neronha: There is an option between full employee choice and the single choice and that may address cost

concerns. Do think as we go further down the past we may need to explore.

iii. Deborah Faulkner: Agree and will go more into details as we consider these roads. What struck me, is worried about the limited choice model, but that is one that is required by the feds. One thing want to understand better are the tools that we would consider and the impact on a model like that. What additional tools do we need to make a model work.

iv. John Fleig: Was the single carrier model offered here, one carrier selected?

v. Deborah Faulkner: That the exchange would negotiate an administrative arrangement with a single carrier who would manage the SHOP on our behalf. Administrative in nature.

s. Dan Meuse:: these starts the conversation that we will continue in our next session. How do you show someone how much it costs. Then we will take your feedback to the Board.

III. New Business – Updates

a. RFP is on the Director of Administration's desk. Once that is up and posted you will be noticed.

b. Exchange Director Search – Interview process has concluded, he has a list of finalists on the Governor's desk and he will be going through that list and a decision will be soon.

IV. Public Comment – No comment made.

V. Adjourn – next meeting April 20, 2012.